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POULTRY AND PRODUCTS ANNUAL

Self-Sufficiency Goals Push Subsidies and Inflation Higher

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Report Highlights:
Poultry consumption is contracting in 2009 in reaction to higher consumer prices and reduced purchasing power. Supply has been greatly impacted by increased tariff and non-tariff barriers, causing a 125 TMT downward revision to the 2009 broiler import projection to 855 TMT. While imports through June were down 37 percent, a strong second half of trading remains likely. Meanwhile, production is revised upward 50 TMT to 1.790 MMT, reflecting increased state support

for new poultry facilities. The 2010 outlook depends greatly on future policy decisions for the poultry TRQ, chlorine ban, and imposition of non-tariff barriers. Continued state support for production at similar or increased levels is almost certain. Under these considerations, 2010 broiler imports are forecast at 820 TMT and production at 1.975 MMT.

Executive Summary:

Russian President Dmitri Medvedev has proclaimed import substitution of poultry with domestic production has stymied inflation that would have otherwise resulted from the devaluation of the ruble. He has added, this policy also prevents emergence of epidemic, pandemic, or animal epizootic outbreaks. Through the first seven months of 2009, Russian inflation in the economy topped 8 percent on average, compared to topping 16 percent for poultry.

Poultry imports decreased 38 percent in the first half of 2009 in comparison with 2008. Imports were negatively influenced by (1) quota reduction and increased out-of-quota duties; (2) a restricted list of poultry suppliers, resulting from alleged violations of Russian veterinary requirements and norms; (3) the novel H1N1 flu virus and the countering measures Russia took to restrict poultry imports; (4) financial problems in the trade chain: imports-wholesale-retail trade; and (5) weakening Russian ruble (RUR)/US$ exchange rate. Nevertheless, if no other new barriers appear in 2009, poultry imports volumes are likely to still approach volumes set by the TRQ.

The 2010 import forecast greatly depends on a renegotiated TRQ agreement for poultry and the continued use of non-tariff barriers to block trade. Therefore, assuming current policy, Post tentatively holds broiler imports down slightly in 2010 at 820 TMT, reflecting the growing practice of the Russian government to restrict imports beyond permitted quota levels. Turkey imports are forecast up slightly at 70 TMT, reflecting growing consumer awareness of turkey meat.

Russian production projection for 2009 remains positive in the midst of the global financial crisis. Increased protectionist practices and the use of agricultural credit subsidies, as laid out by the Program for Agricultural Development 2008-2012, have provided a safe haven and stimulus for domestic poultry production. However, devaluation of the Russian ruble has certainly slowed, if not halted, construction and renovations of several more new and existing poultry facilities. Feed stocks appear sufficient through mid-2009 and will be supported by an average 2009 harvest.

The 2010 poultry production forecast assumes continued financial support for production, regardless of the global or national economic situation, as Russia continually aims to boost self-sufficiency in poultry. This action, combined with constrained imports, will hold prices high, pushing production up to 1.975 MMT.

Production:

Domestic poultry production will continue to increase in Russia, reacting to import-restrictive policies, lucrative profit margins, growing demand for less expensive animal protein, and financial support from the state and regional budgets to subsidize producers. This combination has largely shielded poultry operations from the economic crisis and will continue to contribute to future domestic production expansion.

The Russian Ministry of Agriculture projects that the share of domestically produced poultry meat for consumption will increase to 75 percent by the end of 2009 from 68 percent in 2008. The target self-sufficiency goal of the government remains 85 percent. Assuming the 2009 quota and chlorine regulation rolls over to 2010, we forecast self-sufficiency to approach 70 percent.

Post projects Russian broiler production to reach 1.780 MMT in 2009, 12 percent more than 2008. The 2010 forecast is lifts production 10 percent to 1.975 MMT, based on the continuation of current policy and economic conditions.

Post projects Russian turkey production to grow 14 percent in 2009 and 12 percent in 2010 as investors continue to commit resources to increase production capacity and react to growing consumer demand. Rising levels of domestic and foreign investment in this area will support this emerging industry.

Recognizing poultry production appears to have slowed at agriculture enterprises since March, Post expects recent announcements to increase state support for new poultry facilities will return production growth closer to the previous two-year trend line for the remainder of 2009 and 2010. Post estimates agricultural enterprises control roughly 95 percent of poultry production. Other estimates indicate 90 percent.

Table 1 – Russia: Poultry Production at Agricultural Enterprises, Live Weight, TMT

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	166.7	159.3	127.4	178.3	183.9	181.1	183.1	188.5	186.0	198.5	196.9	211.6
2008	199.9	199.1	213.6	215.0	213.8	215.7	212.5	214.6	214.6	233.4	219.8	252.7
2009	231.3	221.2	250.1	247.8	241.9	238.0						

Source: Federal State Statistics Service (Rosstat)

Overview of Agricultural Production, Jan-Jun 2009

Over the first six months of 2009, Russian agricultural output increased 1 percent from 2008, according to First Vice Prime Minister Viktor Zubkov. He said the increase was rather low, but given the overall decrease of budget spending, drop in consumer demand and unfavorable climate conditions in a number of Russian regions, the objective had been reached.

The Russian officials predict a decrease of agricultural output this year of about 2 percent from 2008. These numbers were included in an unpublished Ministry of Agriculture status report on Russia's state agricultural development project that was sent to the Russian government at the beginning of August 2009. Of all agricultural sectors, the Ministry now expects only meat, poultry and dairy will meet the original benchmarks established by the program, which is set to run from 2008-12. As reported, Russia's overall meat and poultry output for the first half of the year was 4.1 MMT, a 6 percent increase compared to the same period of 2008.

Table 2 – Russia: Poultry, Meat, Broiler Production, Supply and Demand

Poultry, Meat, Broiler Russia	2008			2009			2010		
	2008			2009			2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
	Data			Data			Data		
Inventory (Reference)	0	0	0	0	0	0			0
Slaughter (Reference)	0	0	0	0	0	0			0
Beginning Stocks	45	42	45	55	50	55			33
Production	1 600	1 600	1 600	1 775	1 740	1 790			1 975
Whole, Imports	0	75	75	80	75	25			20
Parts, Imports	1 159	1 080	1 084	900	905	830			800
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	0	0	0	0	0	0			0
Total Imports	1 159	1 155	1 159	980	980	855			820
Total Supply	2 804	2 797	2 804	2 810	2 770	2 700			2 828
Whole, Exports	0	0	0	0	0	0			0
Parts, Exports	5	2	5	2	2	2			2
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	0	0	0	0	0	0			0
Total Exports	5	2	5	2	2	2			2
Human Consumption	2 744	2 745	2 744	2 795	2 755	2 665			2 795
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	2 744	2 745	2 744	2 795	2 755	2 665			2 795
Total Use	2 749	2 747	2 749	2 797	2 757	2 667			2 797
Ending Stocks	55	50	55	13	13	33			31
Total Distribution	2 804	2 797	2 804	2 810	2 770	2 700			2 825

Table 3 – Russia: Poultry, Meat, Turkey Production, Supply and Demand

Poultry, Meat, Turkey Russia	2008			2009			2010		
	2008			2009			2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
	Data			Data			Data		
Inventory (Reference)	0	0	0	0	0	0			0
Slaughter (Reference)	0	0	0	0	0	0			0
Beginning Stocks	0	0	0	0	0	0			0
Production	35	40	35	40	45	40			45
Whole, Imports	0	0	0	0	0	0			0
Parts, Imports	80	63	80	80	45	60			70
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	0	0	0	0	0	0			0
Total Imports	80	63	80	80	45	60			70
Total Supply	115	103	115	120	90	100			115
Whole, Exports	0	0	0	0	0	0			0
Parts, Exports	0	0	0	0	0	0			0
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	0	0	0	0	0	0			0
Total Exports	0	0	0	0	0	0			0
Human Consumption	115	102	115	120	89	100			115
Other Use, Losses	0	1	0	0	1	0			0
Total Dom. Consumption	115	103	115	120	90	100			115
Total Use	115	103	115	120	90	100			115
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	115	103	115	120	90	100			115

Consumption:

Despite an absolute decline in poultry consumption, the Ministry of Agriculture predicts poultry's relative share of consumption for all meats will grow from 35 percent in 2008 to over 40 percent in 2009 as prices for poultry products still remain 25-40 percent lower than pork and beef. As a result of increased state controls in 2009, supply will again drive consumption in 2010. These constraints will translate to further increased poultry prices and likely halt the trend of poultry taking additional share away from beef and pork in domestic consumption as people shift further away from animal protein altogether.

Trade:

Overall, poultry meat imports have been negatively influenced by the following factors in 2009:

- Quota reduction and increased out-of-quota duties[1]
- Restricted list of poultry suppliers, resulting from alleged violations of Russian veterinary requirements and norms;
- Novel H1N1 flu virus and the countering measures Russia took to restrict poultry imports;
- Financial problems in the trade chain – imports-wholesale-retail trade; and
- Weakening RUR/US$ exchange rate.

In spite of the significant negative influences affecting poultry trade, if no new barriers appear in the remainder of 2009, poultry import volumes will approach volumes set by the TRQ. This will require a strong second half by traders; however, the economic incentives of shipping to the lucrative Russian market versus others should provide the necessary stimulus. Post's 2010 forecast assumes the current TRQ regime and allotments are continued forward into next year. However, we recognize Russia will seek to lower poultry imports in order to ensure high domestic producer prices and the economic incentive to continue expansion remains.

Broiler imports fell 37 percent to 350 TMT, valued at $387 million in the first six months of 2009. Both the United States and Brazil suffered the majority of this lost trade. The United States has struggled with increased non-tariff barriers and a reduced quota allotment, which has largely hurt sales of frozen chicken leg quarters. Brazil's largest impediment has been an increased out-of-quota tariff, which has stifled their shipments of frozen whole birds.

Turkey imports fell 48 percent to 17 TMT, valued at $28 million in the first six months of 2009. Quota holders – the EU and the United States – have cut turkey shipments in favor of broiler sales, while Brazil continues to ship similar quantities as 2008.

<u>Hatching Egg Trade Aids Development of Russian Poultry Production</u>

[1] Specific to the 2009 TRQ, Resolution #918 increased the over quota tariff on poultry meat and reduced the quota volume 300,000 MT. The U.S. share of quota was decreased to 750,000 MT from 931,000 MT. The duty on poultry imports outside the quota was increased to 95 percent but not less than 0.8 Euros per kilogram from of the previous rate of 40 percent but not less than 0.32 Euros per kilogram.

While poultry imports may continue downward, imports of hatching eggs have and will continue to rise in order to accommodate the growing domestic poultry production demands. Hatching egg imports for parental layers is the majority of trade and represents more than 70 percent of the market; however, it is a significantly higher share for turkeys than broilers. Poultry producers prefer imported hatching eggs since they offer higher quality crosses in order to achieve more productive broilers and better service for buyers, including specialist training and recommendations for production practices. Some Russian producers are now buying pre-pre-parental hatching egg stocks. The layers from these enterprises can ultimately be sold to poultry producers at half the price of imported eggs.

Table 4 – Russia: Imports of Poultry Products

		Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
Product	Description	$000	MT	$000	MT	$000	MT	Value	Qty
020711	Chicken, Whole, Fresh Or Chilled	1	0	54	5	48	6	-11%	20%
020712	Chicken, Whole, Frozen	38,186	35,414	37,574	34,330	15,064	9,850	-60%	-71%
020713	Chicken Cuts & Edible Offal, Fresh Or Chilled	0	0	0	0	0	0	n/a	n/a
020714	Chicken Cuts & Edible Offal, Frozen	347,781	471,885	471,009	516,881	352,140	334,581	-25%	-35%
160232	Chicken Meat & Edible Offal, Prepared Or Preserved, NESOI	13,732	5,330	23,687	6,742	19,345	5,374	-18%	-20%
	Total Broiler Meat	**399,700**	**512,629**	**532,324**	**557,958**	**386,598**	**349,811**	**-27%**	**-37%**
020724	Turkeys, Whole, Fresh Or Chilled	0	0	0	0	0	0	n/a	n/a
020725	Turkeys, Whole, Frozen	90	39	13	6	0	0	-100%	-100%
020726	Turkey Cuts & Edible Offal, Fresh Or Chilled	315	812	367	603	720	1,227	96%	103%
020727	Turkey Cuts & Edible Offal, Frozen	30,621	25,650	46,631	32,488	26,338	15,770	-44%	-51%
160231	Turkey Meat, Prepared Or Preserved, NESOI	496	163	565	183	692	181	22%	-1%
	Total Turkey Meat	**31,522**	**26,664**	**47,576**	**33,280**	**27,750**	**17,178**	**-42%**	**-48%**
020732	Ducks, Geese Or Guinea Fowls, Domestic, Whole, Fresh Or Chilled	34	3	10	1	13	2	30%	100%
020733	Ducks, Geese & Guinea Fowls, Domestic, Whole, Frozen	1,345	623	1,524	721	2,292	1,066	50%	48%
020734	Fatty Livers Of Geese Or Ducks, Domestic, Fresh Or Chilled	1	0	1	0	2	0	100%	n/a
020735	Ducks, Geese/Guinea Fowl Cuts & Edible Offal, Excl. Fatty Livers, Fresh Or Chilled	1	0	7	1	20	2	186%	100%
020736	Duck, Geese Or Guinea Fowl Cuts & Edible Offal, Domestic, Frozen	348	139	241	102	417	187	73%	83%
160239	Prepared Etc. Poultry Meat, Except Turkey, NESOI	267	99	232	73	132	28	-43%	-62%
	Total Other Poultry Meat	**1,996**	**864**	**2,015**	**898**	**2,876**	**1,285**	**43%**	**43%**

Source of data: World Trade Atlas. Note: Only poultry in 0207 is subject to the TRQ.

Table 4.1 – Russia: Imports of Chicken, Whole, Frozen (020712)

	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
Country	$000	MT	$000	MT	$000	MT	Value	Qty
World	**38,186**	**35,414**	**37,574**	**34,330**	**15,064**	**9,850**	**-60%**	**-71%**
EU-27	11,392	10,014	15,925	14,555	9,050	5,902	-43%	-59%
Brazil	26,196	24,841	20,635	18,862	6,014	3,948	-71%	-79%
Argentina	546	509	806	751	0	0	-100%	-100%
Paraguay	52	50	208	160	0	0	-100%	-100%

Source of data: World Trade Atlas

Table 4.2 – Russia: Imports of Chicken Cuts & Edible Offal, Frozen (020714)

	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
Country	$000	MT	$000	MT	$000	MT	Value	Qty
World	**347,781**	**471,885**	**471,009**	**516,881**	**352,140**	**334,581**	**-25%**	**-35%**
United States	248,490	374,127	361,685	421,722	273,633	269,702	-24%	-36%
EU-27	28,993	38,337	35,656	40,673	37,656	40,018	6%	-2%
Brazil	68,149	56,417	70,105	49,156	38,295	22,210	-45%	-55%
Canada	1,572	2,187	2,213	3,774	1,049	1,446	-53%	-62%
Argentina	559	795	1,315	1,516	1,451	1,159	10%	-24%
Uruguay	18	21	35	39	57	45	63%	15%

Source of data: World Trade Atlas

Table 4.2.1 – Russia: Imports of Chicken Cuts & E/O, Frozen Halves or Quarters (02071420)

	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
Country	$000	MT	$000	MT	$000	MT	Value	Qty
World	**59,396**	**82,117**	**347,346**	**405,444**	**265,401**	**259,999**	**-24%**	**-36%**
United States	51,880	74,341	340,977	398,924	261,984	257,196	-23%	-36%
Brazil	6,328	6,628	5,874	6,161	3,254	2,677	-45%	-57%
Canada	886	900	79	50	163	125	106%	150%
EU-27	303	248	415	309	0	0	-100%	-100%

Source of data: World Trade Atlas

Table 4.3 – Russia: Imports of Turkey Cuts & Edible Offal, Frozen (020727)

	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
Country	$000	MT	$000	MT	$000	MT	Value	Qty
World	**30,621**	**25,650**	**46,631**	**32,488**	**26,338**	**15,770**	**-44%**	**-51%**
EU-27	13,182	18,305	16,790	19,190	10,080	10,503	-40%	-45%
Brazil	5,518	2,483	9,510	3,648	10,919	3,528	15%	-3%
United States	11,491	4,664	18,574	7,732	5,221	1,664	-72%	-78%
Canada	430	198	1,756	1,919	118	75	-93%	-96%

Source of data: World Trade Atlas

Table 5 – Russia: Imports of Live Poultry and Hatching Eggs

Product	Description	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
		$000	1,000 hd/eggs	$000	1,000 hd/eggs	$000	1,000 hd/eggs	Value	Qty
010511	Chickens, Live, <=185 G	17,073	4,226	28,056	5,017	26,270	4,514	-6%	-10%
010512	Turkeys, Live, <=185 G	1,270	499	1,631	511	1,482	584	-9%	14%
010519	Ducks, Geese And Guinea Fowls, Domestic, Live, <=185 G	0	0	0	0	0	0	n/a	n/a
010599	Poultry, Live Except Domestic Fowls, >185 G	0	0	0	0	0	0	n/a	n/a
04070011	Turkey Or Goose Eggs For Hatching	1,218	1,045	1,719	1,081	1,886	1,365	10%	26%
04070019	Poultry Eggs For Hatching (Excl. Turkey Or Goose)	15,646	48,032	29,404	73,913	24,454	72,466	-17%	-2%

Source of data: World Trade Atlas

Prices:

According to the Federal State Statistics Service of Russia (Rosstat), inflation through the first seven months of 2009 reached 8.2 percent, slightly below the 9.4 percent experienced during the same period in 2008. In July, the Economic Development Ministry's revised its inflation forecast for 2009 to 12-12.5 percent. Independent analysts simultaneously forecasted inflation would reach 11.3 percent. Both estimates would represent an improvement from 13.3 percent inflation experienced in 2008.

Unfortunately for consumers, inflation in the food sector had already reached 12 percent through seven months in 2009, and poultry and meat prices rose 16 percent – poultry rising faster than red meat. Reduced market access for imports and an under-compensating level of less price-competitive production in their place are the drivers of this inflation in poultry and meat prices beyond the norm.

These inflationary pressures have spread throughout the entire supply chain in 2009. According to the Ministry of Agriculture statistics, processor prices for domestic birds and chicken leg quarters increased 17 percent and 14 percent, accordingly, in the first half of the year. Retail prices of domestic poultry grew 14 percent and 20 percent, respectfully. This domestic poultry price cushion has also supported a rise in imported poultry prices, lifting imported chicken leg quarters 20 percent. Regardless of exchange rate movements (RUR24/$ to RUR32/$), retail prices for imported birds and chicken leg quarters remain 15 percent less expensive than domestic product.

The 2010 price outlook looks similar to 2009 – tight supply resulting in high prices for both domestic and imported poultry.

Table 6 – Prices for Poultry Products, RUR/kg ($1 = RUR32)

	Whole birds			Chicken Leg Quarters					
	Domestic			Domestic			Imported		
	Jul 1 2008	Jan 1 2009	Jul 1 2009	Jul 1 2008	Jan 1 2009	Jul 1 2009	Jul 1 2008	Jan 1 2009	Jul 1 2009
Processor's price	71	80	83	81	90	92	n/a	n/a	n/a
Retail price	96	105	109	88	102	106	76	87	91

Source: Russian Ministry of Agriculture

Marketing:

Many Russian poultry producers have already transitioned from Soviet-style, inefficient manufactures to well-equipped plants which utilize modern production practices for poultry production. In addition, more producers have turned to producing value-added goods through deep-processing, semi-ready, and ready-to-eat poultry products. The Minister of Agriculture of Yekaterinburg oblast reported that poultry producers in his area manufacture and trade more than 155 types of poultry products. Additionally, producers use other approaches that provide stable sales and profits, such as producing for multiple labels. The most developed plants mostly market under their own brand name, but even they sometimes apply for names of big retailers in order to diversify within the market. Less known producers are more willing to sell and advertise under a retailer's brand name.

Policy:

Domestic Support for Poultry Production Increases Again in 2009

In August, the Ministry of Agriculture increased the level of state support to agriculture in 2009 from 100 billion rubles to 183 billion rubles (approximately $5.8 billion). This will go to the new construction of 156 investment projects in livestock breeding, including 42 swine farms, 32 poultry farms and 6 projects for beef cattle production. In the first half of 2009, 85 new farms were constructed, including 31 swine farms, 37 poultry farms and 17 beef cattle farms.

Assuming the 37 poultry farms already constructed this year average 5,000 MT of annual production, this represents 185,000 MT of new production capacity. Facilities receiving state support in 2006, 2007, and 2008, resulted in additional annual capacity of 35 million, 61.4 million, and 85.7 million birds, respectively. Assuming 1.5 kg per bird, this represents roughly 52,500 MT, 92,100 MT, and 128,550 MT, respectively. Facilities for egg production received 715 million, 1.1493 billion, 1.1165 billion birds in this same time frame.

Prime Minister Putin: Balance Import Regulation with Increasing Consumer Prices

Prime Minister Vladimir Putin has stated while the government is closely monitoring and regulating food imports and both poultry and pork import quotas would be further decreased, the GOR should not forget about the interests of consumers. He added, protection of the national market should not in any way result in a supply deficit or unjustified price growth.

Deputy Prime Minister Zubkov: Help Small Farmers

First Deputy Prime Minister Viktor Zubkov criticized the Ministry of Agriculture on recent agricultural growth of farms. Private farms and household production represents about 50 percent of all meat, but as reported, neither has been thoroughly considered. Specifically, Zubkov suggested that the Ministry should reintroduce farm cooperatives and establish specific farmers' markets especially devoted to these producers, while also allowing them to contract through traditional retail channels.

EU Experts Inspect Russian Control System for Product Safety

In April 2009, EU experts toured several VPSS veterinary laboratories and veterinary centers to inspect the Russian system of laboratory control of product safety of animal origin. This included meeting VPSS representatives from Moscow, Moscow oblast, and Leningrad (St. Petersburg) oblast. A report on the results will be published in October.

President Medvedev: Increase Food Security, Decrease Import Dependence

President Dmitry Medvedev stated in June 2009 that Russia will import only one-quarter of all meat products consumed in the country, compared to one-third imported in 2008, in order to improve Russia's food security. Speaking on the meaning of food security Medvedev explained that "security is a method of guaranteeing certain interests in any sphere or a way for the state to establish such conditions where the Russian population will have access to food products for normal, adequate prices." In accordance with the food security concept mentioned by the President, Russia should, to a significant degree, ensure self reliance for domestic production of the major varieties of food products. Medvedev acknowledged, currently certain requirements of the concept have not been reached. In particular, Russia does not meet the set requirements in terms of dairy, meat, and poultry output. The decrease in imports of meat and dairy products during the crisis helped the development of domestic agriculture and ensured absence of price hikes for corresponding food items purchased with foreign currency, which is a good thing from Russia's food security standpoint.

According to the President, food security has different aspects, and there are different methods of how to achieve it. As an example, he mentioned imports to Russia of significant volumes of cheap imported meat products, in particular, so-called "Bush legs". At the same time he underlined that such dependency was "rather dangerous" since as soon as the foreign currency exchange rate changes, for example, the rate of U.S. dollar to Russian ruble, the prices for corresponding food products increase automatically. This did not happen now, he said, because a substitution of meat imports with domestic production took place. It also prevents the emergence of epidemic, pandemic, and animal epizootic outbreaks. If such problems happen, then the imports stop and the country might find itself in a rather serious situation, Medvedev concluded.

Federal Law "On Technical Regulations" Under Consideration

In August, the Russian Interagency Commission headed by Yelena Scrynik, the Russian Minister of Agriculture, started a review of the federal law "On Technical Regulations" "On Requirements for Poultry, Poultry Meat, Processed Poultry Products, Their Production Process and Handling." Minister Scrynik admitted the Regulations contain basic requirements for production of these products, as well as are an effective instrument of protection for the domestic producers. The Minister tasked members of the Commission to make the final amendments for consideration by the end of August.

The draft prohibits water-based solutions used to handle poultry carcasses that contain chlorine in amounts exceeding the hygienic requirements for drinking water and use of frozen poultry and meat for further processing, including production of sausage, smoked meat, and baby food. Currently these restrictions are envisaged in Resolution #33, "On Production and Circulation of Poultry Meat." This was originally issued on June 2, 2008, and initially scheduled to take effect January 1, 2009, but was later postponed to January 1, 2010. If implemented, the new chlorine maximum residue level will be 100 times more stringent that the current level set in Russian regulation for poultry production.

Novel H1N1 Virus

On April 26, 2009, the Russian Federal Veterinary & Phytosanitary Surveillance Service (VPSS) announced restrictions on imported meat & poultry products from several countries, linking the control to the presence of H1N1 flu virus in humans. Russia imposed these restrictions on several U.S. states, but by the end of August, all restrictions on poultry have since been lifted.

The Russian Government created a Commission for preventing the spread of H1N1, headed by the First Vice-Prime Minister Victor Zubkov. The commission will consider the following issues: prevention of H1N1's spread, anti-epidemic & anti-epizootic measures, imports of livestock products, and other international issues related to the entrance of H1N1 from abroad.

Within Russia, H1N1 is currently present within the local human population, and the number of infected people is likely to grow in the fall. Also within Russia, there are no reports the virus has jumped to or from different species and no scientific studies to indicate the virus may pass to meat tissue. However, Russian authorities have not yet formally delinked H1N1 to any future import restrictions. Restrictions are still in place on U.S. pork products with certain production dates and origins. These remaining barriers may be removed in September 2009, following an upcoming meeting of the Russian H1N1 Commission.

World Trade Organization Accession

Russia is moving forward on parallel tracks in its WTO accession, both individually and as a part of a proposed Custom's Union with Belarus and Kazakhstan. The Customs Union of Russia, Belarus, and Kazakhstan has formed a united negotiating group for WTO accession talks. Draft Customs Union code is set to be finalized by November 2009. The three countries will develop a unified approach that would ensure further negotiation progress on conditions mutually beneficial for the customs union and the WTO. At the same time Belarus and Kazakhstan can maintain the results of the Russian negotiations to the maximum. The group will participate in negotiations both on behalf of the customs union, and separately on behalf of each country of the union. This approach does not exclude the possibility that each country will conduct separate bilateral negotiations with the WTO, but that all three countries intend to join the WTO under identical conditions. No customs union or trade bloc has ever acceded as a single entity to the WTO, or its predecessor organization, the General Agreement on Tariffs and Trade (GATT).

As a result, Russia will heavily consider all potential WTO accession outcomes when negotiating the new poultry and meat agreement. This is one of the few areas that the three countries of the proposed Customs Union also have very different market access – Russia being the only one with a TRQ system in operation.

Russia Encourages Imports of Hatching Eggs and Chicks

The Russian government temporarily eliminated the import duty on broiler hatching eggs and chicks for nine months, effective from April 10. The duties on hatching eggs and chicks were previously 15 and 5 percent, respectively.

Other Relevant Reports:

RS9050 FAIRS Country Report
http://gain.fas.usda.gov/Recent percent20GAIN percent20Publications/Food percent20and percent20Agricultural percent20Import percent20Regulations percent20and percent20Standards percent20- percent20Narrative_Moscow_Russian percent20Federation_11.08.2009.pdf

RS9030 Import Duties on Breeding Chicks and Hatching Eggs Lifted
http://gain.fas.usda.gov/Recent percent20GAIN percent20Publications/Import percent20Duties percent20on percent20Hatching percent20Eggs percent20and percent20Breeding percent20Chicks percent20Lifted_Moscow_Russian percent20Federation_04.05.2009.pdf

RS9016 Poultry Semi-Annual Report
http://www.fas.usda.gov/gainfiles/200903/146347613.doc:

RS9010 Meat and Poultry Prices Update
http://www.fas.usda.gov/gainfiles/200903/146327404.pdf

RS8099 Chlorine ban postponed until January 1, 2010
http://www.fas.usda.gov/gainfiles/200812/146306969.doc

RS9005 New 5 Percent Import Duty on Soybean Meal http://www.fas.usda.gov/gainfiles/200902/146327196.pdf

RS8096 Poultry and Meat Duties and Volumes changed for 2009
http://www.fas.usda.gov/gainfiles/200902/146327326.pdf

RS8087 Meat and Poultry TRQ Announced for 2009
http://www.fas.usda.gov/gainfiles/200811/146306457.pdf

RS8078 Feed Subsidies
http://www.fas.usda.gov/gainfiles/200810/146296116.pdf

RS8071 Poultry Annual report
http://www.fas.usda.gov/gainfiles/200809/146295900.doc